

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 276 - SB 231**

April 4, 2023

**SUMMARY OF BILL AS AMENDED (007167):** Increases the Minority Teaching Fellows Program (MTFP) scholarship loan award (award) amount from \$5,000 to the cost of tuition and fees at the institution in which the recipient is enrolled. Prohibits the award from exceeding the average cost of tuition and fees at public institutions of higher education. Reduces the interest rate for such awards made payable to the Tennessee Student Assistance Corporation (TSAC) from nine percent to five percent.

**FISCAL IMPACT OF BILL AS AMENDED:**

**Decrease State Revenue – \$100/FY24-25**

**\$200/FY25-26**

**\$500/FY26-27**

**\$700/FY27-28**

**\$1,000/FY28-29**

**\$1,200/FY29-30**

**\$1,500/FY30-31**

**\$1,700/FY31-32**

**\$1,900/FY32-33**

**\$2,200/FY33-34**

**\$2,400/FY34-35**

**Exceeds \$2,700/FY35-36 and Subsequent Years**

**Increase State Expenditures - \$199,800/FY23-24**

**Exceeds \$199,800/FY24-25 and Subsequent Years**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 49-4-706, the MTFP is a loan forgiveness program in which the Tennessee Students Assistance Corporation (TSAC) will forgive all loan balances awarded to recipients who meet certain requirements such as teaching in a minority school district for up to three consecutive years in a seven-year timeframe.
- It is anticipated that all awarded loan recipients will meet the required criteria for the loan forgiveness program resulting in an increase to state expenditures from the General Fund.
- The current MTFP award is \$5,000 annually.
- The average cost for tuition and fees is estimated to be \$10,244.

- Based on information provided by the TSAC, the current number of MTFP enrollees is 36.
- There is an estimated increase of three percent for tuition and fees resulting in an average cost of \$10,551 ( $\$10,244 \times 103\%$ ) for tuition and fees in FY23-24.
- The increased award amount for each recipient is estimated to be \$5,551 ( $\$10,551$  new award -  $\$5,000$  current award) in FY23-24.
- The increase in state expenditures from the General Fund is estimated to be \$199,836 ( $\$5,551$  new reward  $\times$  36 recipients) in FY23-24.
- It is estimated that each year there will be an increase in tuition and the total number of reward recipients which will result in a recurring increase in state expenditures from the General Fund exceeding \$199,836 in FY24-25 and subsequent years.
- Pursuant to Tenn. Code Ann § 49-4-706(b)(2), the MTFP requires recipients of the scholarship loan to make notes payable to TSAC that will bear nine percent interest beginning September 1 after completion of the program, or immediately after termination of the scholarship loan.
- The proposed legislation reduces the interest from nine to five percent thus resulting in a reduction of four percent interest to each payable loan to the General fund over a period of time.
- According to TSAC, repayment includes the full amount of the loan funds received plus interest accrued from the date TSAC has determined the student is no longer enrolled in a teacher education program or other failure to comply with the terms of the agreement. Repayment may be made in whole or monthly installments over a period of not more than 10 years.
- Students may have one year of loan forgiveness for each year they serve as a teacher.
- Eliminating the nine percent interest rate will result in a decrease in state revenue from recipients who would have had to pay the loan as early as FY24-25.
- According to TSAC, approximately 55 percent of recipients fulfill the teaching requirements have their loans forgiven.
- Because recipients may receive a loan for up to three years, and initial graduates that begin teaching will not be required to repay, it is assumed that half of recipients not fulfilling enrollment or teaching requirements will begin repayment in FY24-25.
- Based on information provided by TSAC, a total of \$135,000 was paid to 29 recipients in FY21-22.
- Assuming repayment by those not fulfilling their obligation is made over a 10-year period, the decrease in state revenue from reducing the interest is estimated to be \$122  $\{[\$135,000 \times 4\% \times (100\% - 55\%)] \times 50\% / 10 \text{ years}\}$  in FY24-25.
- In FY25-26 as the number of program withdrawals continues and first payments become due, the total decrease in state revenue is estimated to be \$243  $\{[\$135,000 \times 4\% \times (100\% - 55\%)] / 10 \text{ years}\}$ , this number is expected to increase by \$243 for the remaining nine years as follows:
  - FY26-27: \$486
  - FY27-28: \$729
  - FY28-29: \$972
  - FY29-30: \$1,215
  - FY30-31: \$1,458
  - FY31-32: \$1,701

- FY32-33: \$1,944
- FY33-34: \$2,187
- FY34-35: \$2,430
- In FY35-36 and subsequent years, the total decrease in state revenue will exceed \$2,673.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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